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Acquisition Research Program

Acquisition Research Program Need to Know Newsletter

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2021-05-21

## NPS Need to Know Newsletter Acquisition Research Program, 2021-05-21

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# NEED TO KNOW

May 21, 2021

Issue 55

Next week should bring the full defense budget, along with some congressional hearings on service budget requests from the Navy and Army. Also planned is a confirmation hearing on three DoD officials including Secretary of the Air Force. In acquisition news, the JEDI contract is getting new scrutiny from Congress, and this week's Nextgov story highlights how DOD has already moved on with other cloud contracts while waiting out the interminable JEDI protest. This week we're using our top story to brag a little more about last week's symposium, which was a resounding success.

## This Week's Top Story

### **18<sup>th</sup> Annual Acquisition Research Symposium Creates A Vibrant, Informed Community, Once Again**

Our first-ever virtual symposium spanned three days and brought together nearly 1,000 attendees, creating a stronger and more diverse community of acquisition researchers and practitioners than ever before. Over 23 panels, presenters shared research on topics including supply chain, IT/AI acquisition, workforce issues, spending trends, and updates from a variety of senior leaders. Four student teams presented their recent thesis research with a crowd of attendees that asked so many good questions, the student poster show ran out of time before we got to them all.

The virtual nature of this year's event means we have even more resources than normal to share with you:

- Videos from each day's keynote address and plenary panel are now posted on [YouTube](#) for you to watch.
- Papers and presentations from panels are being uploaded to the [Defense Acquisition Innovation Repository](#), organized in the collection that includes symposium proceedings and presentations from this and all previous symposia.
- Currently the full proceedings and many of the papers and presentations can be found organized by panel on the [symposium website](#).

Here's a quick highlight of our three keynote speakers:

[Stacy Cummings](#) kicked off day 1, situating her comments in the context of priorities and goals of the President and the Secretary of Defense, which are calling for innovation, modernization, and enhanced teamwork. She covered recent changes to the DODI 5000 series and the Adaptive Acquisition Framework, including the software acquisition pathway and new DODI guidance on product support management and sustainment.

On Wednesday, [Jay Stefany](#) described the Navy's current acquisition priorities—and they are largely focused on the often neglected sustainment end of acquisition, which accounts for 70% of program costs. Stefany identified several areas where researchers can help as the Navy (and DoD) move to more intentionally plan and manage sustainment. These include prioritizing SBIR projects that focus on sustainment, employing digital engineering across the lifecycle, crafting the right business model for IP rights, planning for cybersecurity upfront, and using more data-informed modeling across the board to support these and more efforts.

[VADM Jon Hill](#) opened the final day with a captivating discussion of how the Missile Defense Agency is using emerging technologies to counter ICBMs, hypersonics, and other threats. He also spoke about MDA's unique acquisition authorities that allow MDA to operate quickly and flexibly, outside of acquisition processes determined by the DOD 5000 series.

The three plenary panels also gave informed, stimulating conversations about acquisition research, policy, and practice. Browse our YouTube channel to find those recordings, and stay tuned for more highlights in future ARP publications. We've gotten some useful feedback from many people who attended. If you have thoughts to share, it's not too late to help us make next year's symposium even better:

<https://event.nps.edu/conf/app/researchsymposium/home#!/feedback?c=37>

## **Acquisition and Innovation**

### **If the Pentagon Drops JEDI, Then What?**

Mila Jasper, Nextgov

### **Republican lawmakers call for DOD to release full findings of JEDI investigation**

Billy Mitchell, Fedscoop

### **Air Force working on an App Store for IT**

Jackson Barnett, Fedscoop

### **DOD clears path for first assessor to enter CMMC market**

Jackson Barnett, Fedscoop

### **SBA Announces New HUBZones to Expand Federal Contracting Opportunities for Small Businesses**

SBA Press Release

### **Commentary: The bold new direction for missile defense is worthy of support**

Maj. Gen. (Ret.) Howard "Dallas" Thompson, The Hill

### **Commentary: The F-35's Painful Lessons Must Inform Future Programs**

Dan Grazier, Defense One

## **Events**

### **Re-Imagining the Future Force, with Rear Admiral Lorin C. Selby, U.S. Navy, Chief of Naval Research**

NPS Secretary of the Navy Guest Lecture

May 25, 2021 | Noon PT

## **Subcommittee on Seapower and Projection Forces Hearing: “Department of the Navy Fiscal Year 2022 Budget Request for Seapower and Projection Forces”**

House Armed Services Committee

Thursday, May 27, 2021 | 11:00am ET

## **Defense and Federal Government**

### **DoD Publishes DevSecOps 2.0 Docs For Accelerating Apps**

Brad D. Williams, Breaking Defense

### **DOD Aims to Transform Itself Into a Data-Centric Organization**

David Vergun, DoD News

### **Navy’s Plan to Cut an Aegis Destroyer Riles Maine’s Lawmakers**

Anthony Capaccio, Bloomberg

## **Congress**

### **Lawmakers press White House for space acquisition chief**

Lauren C. Williams, FCW

### **Congress to vet nominees for Air Force secretary, two more key DoD positions next week**

Rachel S. Cohen, Air Force Times

### **Senate rejects defense spending ‘parity’ amendment**

Joe Gould, Defense News

### **Watch: Subcommittee on Cyber, Innovative Technologies, and Information Systems Hearing: “Reviewing Department of Defense Science and Technology Strategy, Policy, and Programs for Fiscal Year 2022: Fostering a Robust Ecosystem for Our Technological Edge”**

May 20, 2021

## **Acquisition Tips and Tools, with Larry Asch**

### **Can a Firm Fixed Price (FFP) contract contain Incentives?**

In my opinion, incentives work—we get what we reward. The acquisition culture has not embraced incorporating incentives in our day-to-day processes and procedures. Is it too hard? Require too much time to develop? Lack of proper training? Certainly, the DoD Guidance on Using Incentives and Other Contract Types (dated April 01, 2016) which replaced the 252-page DoD and NASA Incentive Contracting Guide from 1969 did not help. By comparison, the new Guidance is 41 pages and desperately lacking in the whole gamut of incentives available to an acquisition team.

Let me give you some tips and tools on how you can put performance and delivery incentives to use on a FFP contract. We will save for future articles other types of incentives.

FFP with contract incentives is not new. It has been done, even predating the FAR, DFARS, and ASPR. See below example for basic FFP contract with monetary incentives for exceeding specifications (and monetary disincentives for not fully meeting specifications).

*The flying machine should be designed to have a speed of at least forty miles per hour in still air, but bidders must submit quotations in their proposals for cost depending upon the speed attained during the trial flight, according to the following scale:*

- 40 miles per hour, 100 per cent.
- 39 miles per hour, 90 per cent.
- 38 miles per hour, 80 per cent.
- 37 miles per hour, 70 per cent.
- 36 miles per hour, 50 percent;
- Less than 36 miles per hour rejected.
- 41 miles per hour, 110 per cent.
- 42 miles per hour, 120 percent.
- 43 miles per hour, 130 per cent.
- 44 miles per hour, 140 per cent.

The above [specification](#) was issued on 23 December 1907 by the Signal Corps of United States Army for a heavier-than-air flying machine. Yes, you guessed it—the award went to the Wright Brothers.

Today's guidance in FAR Subsection 16.202-1:

"A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract... The contracting officer may use a firm-fixed-price contract in conjunction with an award-fee incentive (see 16.404) and performance or delivery incentives (see 16.402-2 and 16.402-3) when the award fee or incentive is based solely on factors other than cost. The contract type remains firm-fixed-price when used with these incentives."

What about Acquisition of Commercial items? FAR 12.207(d) says: "(d) The contract types authorized by this subpart may be used in conjunction with an award fee and performance or delivery incentives when the award fee or incentive is based solely on factors other than cost (see 16.202-1 and 16.203-1). "

Note: As stated above, FAR 16.202-1 is the description of "Firm-Fixed Price Contracts" and includes: "The contracting officer may use a firm-fixed-price contract in conjunction with an award-fee incentive (see 16.404) and performance or delivery incentives (see 16.402-2 and 16.402-3) when the award fee or incentive is based solely on factors other than cost. The contract type remains firm-fixed-price when used with these incentives." The adjustment here is the result of the Government paying for better/worse performance, not because of a change in the Contractor's cost basis.

Yes, a FFP contract with performance or delivery incentives is still FFP!

One effective tool to utilize incentives on service contracts is with the Performance Requirements Summary (PRS) see Step 5 of the [Performance Based Seven Step Process](#) example below:

“The Department of Defense takes the desired outcomes, performance objectives, performance standards, and acceptable quality levels that have been developed during the analytical process and document them in a Performance Requirements Summary (PRS). The PRS matrix has five columns: performance objective, performance standard, acceptable quality level, monitoring method, and incentive/disincentive.”

Incentives work, and with many of our contracts being FFP we should consider performance and delivery incentives as the norm for services with a PRS. I have reviewed many PRSs, and many do not use the incentive/disincentive column, or call out negative CPARS, or use a sample of the one they did last time.

**Recommendation:**

- Leadership at all levels should support that incentives work
- Mandate use of DoD PRS five columns and training on how to complete each column
- Provide success stories and samples of using FFP with Performance and Delivery Incentives

If they did it in 1907, we certainly can do it today.